

# FLEXIBLE SPENDING ACCOUNTS - 2009

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## Account Types

Medical

## Annual Amounts

- Minimum: \$120
- Maximum: \$5,000/Employee

## Qualifying Expense Examples

- Eye exams, contact lenses and solution, glasses, LASIK surgery, dental exams and services, chiropractic care, prescription drugs and insulin, hearing aids and exams, doctor visits, copays, and deductibles.
- Day care centers (must comply with state and local laws), baby-sitters, preschool, and general-purpose day camps.

Dependent Care

- Minimum: \$120
- Maximum: \$5,000/Family

## GENERAL INFORMATION

### WHO IS ELIGIBLE?

All active employees eligible for State benefits are eligible for the Flexible Spending Account (FSA) Program.

**Retirees, Legislators, and COBRA members are not eligible to participate.**

### HOW FSAs WORK

Because the State of Montana offers FSAs, employees have the opportunity to make choices that can help tailor their employee benefits to meet their family's unique needs while saving money each year.

When you participate in an FSA, you elect to have a specified amount of "before tax" dollars deducted from your paycheck each pay period. There are two areas in which you can elect to use this "before tax" money for your expenses:

#### 1. Out-of-pocket medical expenses (not covered by insurance)

- a. health insurance deductibles, co-pays and co-insurance
- b. prescription and over-the-counter drug costs
- c. dental and vision expenses
- d. non-covered medical expenses

#### 2. Dependent care expenses

- a. child care (age 12 and under)
- b. disabled dependent care

The Medical and Dependent Care FSAs are separate accounts. If you enroll in both, you may not use funds deposited in the Medical FSA for dependent care expenses, or vice-versa.

### Use It or Lose It!

Be careful in the amount of your election making sure to elect no more than you know you and your tax dependents are going to use within the plan year. Under the "use-or-lose" rule, any money not used by the end of the plan year cannot be

### IMPORTANT!

You must re-enroll each year to participate in a Flexible Spending Account. Enrollment is not automatic!

returned to you. No changes are allowed to your election after the October 24, 2008 deadline unless you experience a "qualifying event" described on the next page.

### Getting Reimbursed

To be reimbursed for qualified expenses, submit a claim form and expense receipt (i.e. EOB or day care provider receipt) to Allegiance online, by fax (1-877-424-3539 toll free or 1-406-523-3149) or mail (PO Box 4346, Missoula, MT 59806). Claims are normally processed within five business days of receipt.

#### SUBMIT A CLAIM ONLINE:

1. Go to [allegianceflexadvantage.com](http://allegianceflexadvantage.com)
2. Complete the online form
3. Attach your documentation (scanned or downloaded)
4. Submit

You will usually have a check in your mailbox less than a week after you have submitted your claim. You can have your reimbursements deposited directly into your checking account if you send in the Automatic Deposit Authorization form with a voided check and Allegiance will electronically deposit reimbursements directly into your checking account.

### Administrative Fee

There is a small administrative fee of \$2.25 per month for one or both types of FSAs. The fee has previously been paid by FSA participants. For employees who enroll in a FSA(s) for 2009, the administrative fee will be waived!



### FSAs PUT TAX DOLLARS BACK IN YOUR POCKET

Mary is a single mother of three earning a salary of \$3,000 per month. Her oldest child has braces and Mary is paying the orthodontist \$150 per month. Mary takes a prescribed maintenance drug that costs her \$50 per month. Mary's youngest child attends preschool while Mary is at work and she is paying \$300 per month to the daycare provider. The following is a comparison of Mary's monthly take-home pay if she enrolls in FSAs to her take-home pay without FSA enrollment.

	FSA	No FSA
Gross pay	\$3000	\$3000
FSA election	<u>\$ 500</u>	<u>\$ 0</u>
Taxable Pay	\$2500	\$3000
Fed Tax*	\$ 135	\$ 213
State Tax*	\$ 84	\$ 114
FICA	<u>\$ 191</u>	<u>\$ 230</u>
Net Pay	\$2090	\$2443
Prescription	\$ 0	\$ 50
Braces	\$ 0	\$ 150
Day care	<u>\$ 0</u>	<u>\$ 300</u>
<b>Net Pay</b>	<b>\$2090</b>	<b>\$1943</b>

\*tax based on 2008 Federal and Montana payroll tax withholding tables, claiming 4 allowances.

**Participation in FSAs allows Mary to an extra \$147.00 in her pocket each month and \$1,764.00 additional yearly income.**

## TAX ISSUES

Health care expenses reimbursed through the flex plan are exempt from all federal and state income and FICA/Medicare taxes. Since you receive pre-tax treatment on the money you place in an FSA, you cannot claim the items reimbursed to you through an FSA on your tax return. Without an FSA, medical expenses are only deductible if they exceed 7.5 percent of your adjusted gross income. Remember, gross earnings for purposes of determining Social Security benefits are reduced by pre-tax deductions.



### CLICK ON IT!

Allegiance's website offers a wealth of resources for FSA participants, 24 hours-a-day, seven days a week:

- Check your account balances
- Check the status of pending claims
- View the explanation of benefits for processed claims
- Print claim and direct deposit forms
- Ask questions about your account

To get started, go to the website and register as a new user.

**[allegianceflexadvantage.com](http://allegianceflexadvantage.com)**

## MEDICAL SPENDING ACCOUNT

Before the start of each plan year, you may elect to use "before tax" dollars to pay for your out-of-pocket medical expenses, including deductibles, copays, prescriptions, and many over-the-counter medicines. Dental and vision expenses may be reimbursed too. Eligible expenses include those defined by IRS Code, Section 213(d).

The amount you elect will be reimbursed to you for the eligible expenses that you, your spouse, and your tax dependents incur during the plan year. The entire annual amount you elect can be used at any time during the plan year after your first deduction is taken. All you have to do is elect the amount you want withheld before taxes from your paycheck.

## DEPENDENT CARE ACCOUNT

If both you and your spouse work or you are a single parent, you may have dependent care expenses. Without a dependent care account, the only tax help for you is the Federal Child Care Tax Credit. An FSA may give you a better tax benefit, so compare them both before making your annual FSA election. A dependent receiving care must live in your home at least eight hours per day.

Your FSA lets you use "before tax" dollars to pay for the care of children age 12 and under, or individuals unable to care for themselves while you or your spouse go to work or school. The care may be provided through live-in care, baby sitters, and licensed day care centers. You cannot use "before tax" dollars to pay your spouse or one of your children under the age of 19 for providing care. Schooling expenses for kindergarten and up is not reimbursable.

The maximum you can elect in a plan year is equal to the least of the following:

- \$5,000 married filing joint federal taxes;
- \$2,500 married filing separate federal taxes or you or your spouse's earned income.

## Mid-Year Election Changes

There are limited opportunities to change your election during the plan year. Contributions can only be changed if you experience a family status change such as:

- marriage;
- divorce;
- birth of a baby;
- adoption of a baby;
- death of spouse/dependent child;
- a change in employment status which warrants the change.

The change must be "on account of" and "consistent with" the change in family status. For example, new dependents warrant increasing a medical FSA, not decreasing it. The change must be made within 63 days of the qualifying event or in the case of births/adoptions within 63 days after the 31-day automatic coverage ends (94 days from date of birth).

## ALLEGIANCE SERVICES

Customer Service representatives are available to answer your questions by phone each business day between 7:00 a.m. and 6:00 p.m. After hours and on week-ends, you can access a toll-free automated voice response system for your account information by calling 1-866-339-4310 (toll free) or 1-406-721-2222.

You can also access the Allegiance website, [allegianceflexadvantage.com](http://allegianceflexadvantage.com), 24 hours-a-day, seven days-a-week.

If you would like to drop off a claim reimbursement request or speak with a Customer Service Representative in person, you can stop by an Allegiance office between 8:00 a.m. and 5:00 p.m.

- Helena - 910 N Last Chance/Suite D
- Missoula - 2806 S Garfield
- Billings - 490 N 31st Street #110

## MEDICAL/DEPENDENT CARE FSA(S) WORKSHEETS

These worksheets will help you decide on an appropriate annual election for a Medical & Dependent Care FSAs. Estimate your total annual expenses for the 2009 plan year (January 1 - December 31) based on expenses to date and any additional expenses expected before December 31. For this information, refer to medical bills, financial and bank records, and this year's Explanation of Benefits statements (EOBs).

Your selected amount is removed from your paychecks in 24 installments, first from any unused state contribution, and then from gross pay (before taxes) and deposited into your FSA. As you incur eligible expenses, you turn in a simple claim form and receive payment.

### MEDICAL FSA WORKSHEET

#### **Common Medical Expenses**      **2009 Estimates**

Estimated Medical Expenses      \$ \_\_\_\_\_  
(deductibles, co-pays, coinsurance)

Estimated Dental Expenses      \$ \_\_\_\_\_

Estimated Vision Expenses      \$ \_\_\_\_\_

Estimated Prescription Expenses      \$ \_\_\_\_\_

Estimated Over-the-Counter Expenses      \$ \_\_\_\_\_  
(vitamins & supplements only with Rx)

**Total Estimated 2009 Medical FSA**      \$ \_\_\_\_\_

### DEPENDENT CARE FSA WORKSHEET

#### **Monthly Care Expenses**

Infant Expenses      \$ \_\_\_\_\_

Preschool Expenses      \$ \_\_\_\_\_

Before and After School Care      \$ \_\_\_\_\_

School Vacations      \$ \_\_\_\_\_

**Total Monthly Expenses**      \$ \_\_\_\_\_

x 12

**Total Estimated 2009 Care Expenses**      \$ \_\_\_\_\_

### Examples of Qualified Medical Expenses

- Alcohol & Drug Treatment
- Alternative Healers
- Ambulance
- Appliances for Hearing Impaired
- Artificial Limbs & Teeth
- Birth Control Pills
- Blood Sugar Test Kit
- Braille Books & Magazines
- Car Controls for Disabled Drivers
- Carpal Tunnel Supports
- Chelation Therapy
- Childbirth or Lamaze Classes
- Chiropractors
- Coinsurance Amounts
- Contact Lenses & Supplies
- Contraceptives
- Crutches
- Deductibles (Medical, Dental, Rx)
- Dental Care
- Dentures & Denture Adhesives
- Diagnostic Fees
- Eye exams & Prescription Lenses
- Fertility & Infertility Treatments
- First Aid Kits
- Flu Shots
- Immunizations
- Laboratory Fees
- Obstetrical Expenses
- Orthodontics
- Orthopedics
- Physician Fees
- Physical Therapy
- Prescription drugs
- Psychiatrist & Psychologist Fees
- Smoking Cessation Program
- Surgery & Surgical Fees
- Wheelchair
- X-Rays

### Examples of Non-Qualified Medical Expenses

- Cosmetic Surgery
- Fitness Programs
- Hair Growth Treatments
- Insurance Premiums
- Massage
- Warranties
- Service Agreements
- Special Foods
- Teeth Whitening
- Vitamins/Minerals

#### **IMPORTANT!**

Please be sure these amounts  
divide evenly by 24  
(the number of  
deductions in the plan year).